

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FIVE)

Docket No. RM2015-13

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-2 OF CHAIRMAN'S INFORMATION REQUEST NO. 2**
(September 25, 2015)

The United States Postal Service hereby provides its responses to Questions 1-2 of Chairman's Information Request No. 2, issued September 17, 2015. The questions are stated verbatim and followed by the response.

Respectfully submitted,

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By its attorney:

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September 25, 2015

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1. The following questions concern the IMTS—Inbound product and seek clarification of the total number of foreign-origin money orders cashed by the Postal Service. In its response to Chairman's Information Request No. 1, question 3, of the instant docket, the Postal Service filed the non-public Library Reference USPS-RM2015-13-NP1 filed under seal, which includes the Excel file, "ChIR.1.Q.3.IMTS."¹ Please refer to worksheet tab "13. FY 2014 Incoming TOTALS."
 - a. Please confirm that in Column F, the origin or source of the FY 2014 data used to develop the number of IMTS—Inbound transactions is the Federal Reserve Bank. If not confirmed, please identify the origin or source of the data used.
 - b. Please confirm that the amount shown in Column F, cell F139, is the total number of foreign-origin money orders cashed at Postal Service retail windows. If not confirmed, please explain. If confirmed, please explain how the Postal Service developed the total number of foreign-origin money orders cashed at Postal Service retail windows.
 - c. Under the assumption the amount shown in Column F, cell F139, is the total number of foreign-origin money orders cashed by the Postal Service, please confirm that 90.14 percent of that total consists of money orders from foreign postal operators that paid the Postal Service a commission for cashing such money orders. If not confirmed, please explain.

RESPONSE:

- a. Confirmed.
- b. Not confirmed. That figure is the total number of foreign-origin money orders processed by the FRB, which includes money orders cashed at either Postal Service retail windows or other financial institutions.

¹ Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 1, September 14, 2014, question 3.

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c. The stated assumption is incorrect, because cell F139 represents the total number of money order cashed, but not necessarily cashed by the Postal Service. As for the proportion of those that consist of money orders from foreign postal operators that paid the Postal Service a commission, we calculate that proportion as 90.41 percent.

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2. The following question seeks to clarify the number of IMTS—Inbound transactions used in the Postal Service's proposed methodology to develop FY 2014 IMTS attributable costs. In its ACR Response for Item No. 4, the Postal Service identified and filed non-public Library Reference USPS-RM2015-13-NP1 filed under seal, which consists of the Excel file "Item.4.ACD. IMTS Response."² For the worksheet tab titled "Foreign Issued Money Orders," in the column titled "Transactions," please explain why the Postal Service used the total number of foreign-origin money orders cashed at Postal Service retail windows, rather than the number of money orders from foreign postal operators that paid the Postal Service a commission for cashing such money orders, as provided in the Postal Service's Response to CHIR No. 1, question 7(d), January 16, 2015.³

RESPONSE:

To clarify the relationship between the question and answer, the following information is noted. Accompanying its June 30, 2015 ACD Response to Item No. 4 was a nonpublic folder, USPS-FY14-NP43. This folder included a spreadsheet (Item.4.ACD.IMTS Response.xls) that presented the details of the proposed methodology, and that spreadsheet in cell I14 used the total number of cashed incoming money orders (from all countries), rather than just the number of cashed incoming money orders from countries that pay a commission. That number shows up in the row entitled "Foreign Issued Money Orders," in the column entitled "Transactions." The tab was entitled "Proposal and Comparison." Subsequently, in response to Question 3 of CHIR No. 1 in this docket, the Postal

² See Docket No. ACR2014, Responses of the United States Postal Service to Commission Requests for Additional Information Regarding IMTS and EPG in the FY 2014 Annual Compliance Determination, June 30, 2015, at Item 4 (ACR Response).

³ See Docket No. ACR2014, Responses of the United States Postal Service to Questions 1-2, 3A-B, 3D, 4, 6, 7A-E, 8-9, and 11-21 of Chairman's Information Request No 1, at Question 7(d), January 16, 2015.

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Service filed a nonpublic folder labelled USPS-RM2015-13/NP1, which consisted primarily of an Excel spreadsheet entitled ChIR1.Q3.IMTS.xls. Within that spreadsheet, in tab "13. FY2014 Incoming TOTALS," cell F139 replicates the total number of incoming money orders cashed (from all countries) shown in cell I14 of the earlier spreadsheet. Most noteworthy, Excel file "Item.4.ACD. IMTS Response" is found in USPS-FY14-NP43, rather than USPS-RM2015-13/NP1, as suggested by the question.

Upon further reflection, when the ultimate purpose of the exercise is to determine the total amount of time (and hence costs) spent by Postal Service window clerks handling inbound IMTS money orders, there is no compelling reason apparent to distinguish between the time spent by window clerks on those money orders for which a commission is paid, and those for which no commission is paid. In this respect, the Postal Service agrees with the Initial Comments of the Public Representative:

To ensure a more accurate measure of attributable costs for IMTS – Inbound product, the Postal Service should estimate unit costs taking into account all foreign-origin money orders cashed at retail windows, including those from countries that do not pay a commission. Excluding the money orders from countries that do not pay a commission would be an inaccurate measure of actual postal activity for the IMTS – Inbound product.

Public Representative Comments (Sept. 17 2015) at 4.

Unfortunately, the difficulty with achieving this ultimate objective arises because the available transaction data include transactions at all cashing locations,

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postal or otherwise. Moreover, the ability to separate postal from nonpostal transactions is not aided by knowledge of the amount of commissions paid, because subsequent inquiry has revealed that (contrary to what was perhaps expected when this line of analysis was contemplated) commissions are paid to the Postal Service regardless of whether the money order was cashed at a postal retail window or not. Nevertheless, the circumstance of whether a commission was subsequently paid or not does not appear to have any bearing on the transaction time or cost associated with the activity at the window.